

Board of County Commissioners Agenda Request 17

Date of Meeting: May 10, 2005

Date Submitted: May 4, 2005

To: Honorable Chairman and Members of the Board
From: Parwez Alam, County Administrator
Lillian Bennett, Human Resources Director
Subject: Acceptance of Status Report on County Employee Health Insurance

Statement of Issue:

This agenda item requests Board acceptance of a status report and additional information on County employee health insurance options.

Background:

On February 22, 2005, the Board held a workshop to discuss County employee health insurance options. On March 22, 2005, the Board ratified actions taken at the Workshop (Attachment #1) and directed staff to bring back additional information.

Analysis:

The following is a status report, timeline and the additional information requested by the Board on County employee health insurance:

- **Consultant Agreement**
The Board directed staff to negotiate an Agreement under State Contract #973-500-03-01, Benefits Consulting, and Actuarial Services, with one of three vendors, listed under the State Contract to provide health benefits consulting, in an amount not to exceed \$40,000 from general fund contingency. After receiving proposals from the three vendors, Leon County selected Mercer Human Resources Consulting, Inc. (Mercer) located in Tampa, Florida. The Agreement is finalized, and a scope of services has been developed (Attachment #2). The scope of services includes an evaluation of the Request for Proposals (RFP) responses, and an analysis of the establishment of a self-insured health program for Leon County.
- **Request for Proposals**
Mercer has reviewed the draft RFP, and staff has included the recommended modifications (Attachment #3). As directed by the Board, a provision has been included in the RFP that gives Leon County sole authority to establish the employee portion of premium rates. The RFP is scheduled for release during the first week of May 2005. RFP responses will be due within 30 days of the date of issuance. The Engagement Letter outlines the deliverables, the time line for the RFP process, and vendor selection (Attachment #4). Based on the proposed timeline, the Consultant and RFP Evaluation committee is scheduled to make a recommendation to the Board for the selection of a health care provider(s) in July 2005.
- **Health Insurance Consortium**
The Board directed staff to continue the joint staff committee to study the feasibility of a City/County/School Board Health Care Consortium. Leon County staff has held several meetings with City and School Board staff to determine the feasibility of a health care consortium. Recently, the committee met with Mellon Consultants to study the major issues to consider before entering into a consortium. These issues included items, such as, defining Group Eligibility, the Rights and Responsibility of the Participants, Plan Design and Options, and Plan

Funding and Administration. Each agency also outlined their health care concerns and resolution, either independently or collectively through a consortium (Attachment #5). The committee will reconvene in the near future to address these issues, and determine if there are any potential areas in which the three agencies can collaborate as a consortium.

Attachment #

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At the February 22, 2005 workshop, the Board directed staff to provide the following additional information related to County's employee health insurance:

- I. Summary of Florida Comparable Counties HMO:
 - o Florida Counties HMO Analysis
 - Enrollment,
 - HMO's Available
 - Provider Name
 - Percentage of Market Share
 - o Market Share Analysis
 - By Local Providers
 - By Region and Statewide
 - Premium Rates and Plan Design
- II. Comparison of Health Plan Benefit Designs (City/ County/School Board)
- III. Actuarial Analysis of CHP and Vista.
- IV. Consultant Analysis of the feasibility of a County Self-Insurance Health Program.

Staff has prepared the following information for Board review:

I. Summary of Comparable Counties

o HMO Enrollment (Large Group HMOs)

As provided by the State of Florida Department of Insurance, Attachment #6 is a chart of HMO Enrollment and Market Share by County in Florida for all Large Group HMO's as of September 30, 2004. A large group is defined as an employer with more than 50 employees.

Table #1 below provides a summary comparison of several counties HMO enrollment and market share to that of Leon County:

Table #1

County Comparison of HMO Enrollment, # HMO's Available and Market Share

County	Total Enrollment	# of Large Group HMO's*	Largest HMO Provider	Market Share
Leon	78,351	2	CHP	82%
Alachua	19,332	5	AvMed, Inc.	53%
Escambia	21,335	3	Health Options	74%
Pasco	37,616	6	Health Options	44%
Seminole	47,076	6	United Health Care	35%
Volusia	49,305	6	Florida Health Care Plan	59%
Orange	105,125	6	United Health Care	44%
Pinellas	113,118	6	Aetna U.S. Healthcare	53%
Palm Beach	118,149	9	United Health Care	31%
Hillsborough	123,315	6	Humana	28%
Duval	135,701	6	Aetna U.S. Healthcare	46%

*Includes Large Group HMO's with at least 1% of total market share

As shown in Table #1, Leon County has two large-group HMO's available with a total enrollment of 78,351 members: Capital Group Health Services of Florida (CHP) and Vista Health Plan, Inc. (Vista). CHP represents 82% of the Leon County market share with 64,222 members, and Vista represents 18% of the market share, with 14,036 members. Escambia County's HMO market is similar to that of Leon County. There are three large group HMO's available: Health Options has 74% of the total market share; Vista represents 21%; and United Health Care represents the

remaining 5%. As with Leon County, there appears to be limited competition in the Escambia County market area. 4

In contrast, counties such as Alachua, Pasco, Seminole, Hillsborough, Orange, Duval, Pinellas and Palm Beach have multiple HMO's in their market area (5-9 HMO's) and no single HMO has a market share exceeding 59%. Counties such as Hillsborough and Palm Beach have a total of six and nine HMO's respectively, and the market share for the largest HMO providers is 28% and 31% respectively. These counties appear to participate in a very competitive marketplace. Staff has included a summary of like-sized County HMO comparisons based on population (Attachment #7), and enrollment (Attachment #8) similar to that of Leon County.

In terms of enrollment, Leon County's total large group HMO enrollment is relatively high in comparison with other Florida Counties, while the number of available HMO's is quite low. This high enrollment is mainly attributable to State of Florida employees. Of the total enrollment in Leon County of 78,351, 76%, or 59,308, are State employees. Eighty percent (80%) of State employees are enrolled in CHP, and the remaining 20% with Vista. Based on this review, it would appear that until the State of Florida diversifies its HMO base in Leon County, competition will remain limited.

- **HMO Enrollment and Florida Market Share by Local Providers**
 - (CHP, Vista and United Health Care)

Attachment #9 provides the total enrollment and market share for CHP, Vista, and United Health Care for all Florida Counties. Based on this analysis, the total enrollment for each provider is as follows:

Table #2

Comparison of Florida Enrollment for CHP, Vista and United Health Care

	CHP	Vista	United Health Care
Total Enrollment (Florida)	83,630	112,007	300,983
Market Share in Florida	5%	6%	17%
# Florida Counties market penetration	4	23	46

Table #2 reflects that United has a higher enrollment and Florida market share, 28%, than does CHP, 5%, or Vista, with 6%. United has market penetration in 46 out of 67 Florida counties and an enrollment of 300,983. Vista has a market penetration in 23 Florida Counties, with an enrollment of 112,007. CHP has the smallest market penetration - 4 Florida Counties, with an enrollment of 83,630. Based on this analysis, it appears that while CHP commands the market place in the local market area, CHP's presence is much smaller, as compared to the total Florida market of the other providers, Vista and United. United has the largest presence in Florida of the three providers.

- **HMO Enrollment and Market Share by Region and Statewide**

The State of Florida divides the state into 4 distinct regions: Leon County is in the West Region. The West Region includes all counties from Escambia north, south and east to Madison and Taylor counties; The North Region includes all counties from Madison and Taylor counties north, east and south to Citrus, Lake and Volusia counties; The Central Region includes all counties from Citrus, Lake and Volusia counties east, west and south to Sarasota, Desoto and Highland counties; and the South Region includes all counties from east, west and south from Sarasota, Desoto and Highland counties to Monroe and Dade Counties. Attachment #10 is a map that depicts the four regions in the State of Florida. Table #3 below provides a summary of the Largest HMO Providers by each of the four regions and their market share:

Table #3

Analysis of Largest HMO Providers by Region and Market Share

Region	Largest HMO Provider	Enrollment	Market Share
West Region	Capital Health Plan	83,630	57%
North Region	Health Options, Inc.	96,152	47%
Central Region	United Health Care of	127,441	29%

	Florida, Inc.			Attachment #	4
South Region	United Health Care of Florida, Inc.	148,435	41%	Page	4 of 6

Statewide, Health Options, a Blue Cross Blue Shield affiliate, ranks first in enrollment with 374,628 members, and a market penetration in all 67 counties. Aetna U.S. Health Care ranks second in enrollment with 360,026 members, and a market penetration in 26 counties, mainly in the Central and North Regions. United Health Care ranks third in enrollment with 300,983 members, and market penetration in 46 counties, primarily in Central and South Florida. These three health care providers (Health Options, Aetna U. S. Health Care, and United Health Care) do not have a substantial presence or enrollment in Leon or surrounding counties. United Health Care has recently become a provider in the Leon County local market area.

• **HMO Enrollment and Market Share for West Region (CHP, Vista and United)**

Attachment #11 provides an analysis of the total market share and enrollment comparison of United Health Care, CHP and Vista, the 3 major health care providers in Leon County, within the West Region of the State of Florida as of September 30, 2004. Leon County is assigned to the West Region which includes 20 Florida counties.

Table #4
West Region Enrollment/ Market Share (CHP, Vista and United)

County	CHP		Vista		United Health Care	
	Enrollment	Market Share	Enrollment	Market Share	Enrollment	Market Share
Leon	64,222	82%	14,036	18%	0	0%
Gadsden	9,974	81%	2,335	19%	0	0%
Jefferson	2,852	77%	854	23%	0	0%
Wakulla	6,582	81%	1,587	19%	0	0%
Calhoun	0	0%	607	80%	0	0%
Escambia	0	0%	4,431	21%	1085	5%
Liberty	0	0%	906	97%	0	0%
Madison	0	0%	1,075	90%	0	0%
Okaloosa	0	0%	0	0%	33	1%
Santa Rosa	0	0%	2,943	22%	324	2%
Taylor	0	0%	90	88%	0	0%
West Region Enrollment/ Market Share	83,630	57%	28,864	20%	1,448	<1%

Table #4 shows the 11 counties in Florida in which CHP, Vista, or United have a market presence. CHP has the largest enrollment in the West Region, with 83,630 members, and a market share of 57%, primarily operating in four counties -Leon, Gadsden, Jefferson and Wakulla. CHP's market share in the four counties is at or above 77% for each. Vista has a West Region enrollment of 28,864, a market presence in 10 counties, and a market share of 20%, significantly less than CHP. United has the smallest enrollment in the west region with 1,448 members, a market presences in three counties, and a regional market share of less than 1%. Other HMO providers, operating in the West Region, are Health Options, Inc., with enrollment of 31,020 and a market share of 21%; Humana Medical Plan, Inc., with enrollment of 2,127 and a market share of 1%; and, Cigna Health Care of Florida, Inc., with enrollment of 22, and a market share of <1%.

Attachment #12 provides a comparison of plan designs, and rates of Counties, similar to Leon County. Leon County leads most counties in providing the most benefits with the smallest co-pays for doctor visits and prescriptions. Co-pays for office visits ranged from \$10 to \$25, for the counties reviewed. Leon County's co-pays for office visits are \$10 for both primary care physicians and specialists. Prescription co-pays for the counties reviewed ranged from \$5 to \$80. Leon County's prescription co-pay cost range from \$7 to \$35. Additionally, Leon County leads the way in employer/employee cost share arrangement, with the County paying 92.5% of premium costs for all tiers of insurance. In like-sized counties, the employer's contribution ranged from a low of 65% to a high of 82%. Alachua and Escambia Countys' HMO plans are similar to Leon County's; however, Leon County's premium costs are approximately 8.5% higher.

A survey recently published in 2005 by Business and Legal Reports (BLR), shows that on an average in 2004 employers in government entities spent \$6,904 annually for an employee health care cost. In 2004, Leon County's cost per employee was \$7059. Leon County's cost per employee is approximately 2% more than the national average.

- II. Comparison of Health Plan Benefit Designs between the City, County, and the School Board. The common health insurance carrier between the City, County and the School Board is Capital Health Plan. The County and School Board both provide employees Capital Health Plan and Vista; the City provides Capital Health Plan and the BCBS PPO Plan. The co-payment amounts for CHP & Vista with the County are lower than the co-payment amounts with the School Board or the City. The major differences between the plans occur in the co-payment amounts for office visits and prescriptions. The County office visit co-pay amount for both primary care physicians (PCP) and specialist is only \$10. The City and School Board co-payment amounts are \$15 for the PCP and \$25 for the specialist. Prescription drug cost is lower at the County with co-pays set at \$7/\$14/\$30 depending on the type of prescription. The School Board has co-pays set at \$10/\$25/\$40 and the City has the highest prescription co-pays at \$15/\$30/\$50. Employees contribute more with the City and School Board than the County's employees (Attachment #13).
- III. Actuarial Analysis of CHP and Vista. The Board requested that an actuarial analysis be performed to determine the accuracy of the County's claims data and rate increases imposed by CHP and Vista. The funding for the actuarial analysis has been included as a budget request in the 2005/06 budget. Mercer, the County's health care consultant, has provided a preliminary estimate from \$18,000 to \$30,000 to perform the actuarial analysis. The Health Plan Actuarial Analysis will include a Predictive Risk Assessment (evaluation of the health risks prevalent in the employee population); a Predictive Health and Productivity Analysis (identify on a predictive basis, those diseases and medical conditions that drive the County's medical costs); a Retrospective Analysis of Carrier Renewals (review, analysis and calculations to evaluate the accuracy and appropriateness of the renewals presented by CHP and Vista on a retrospective basis); and a preliminary scope of services and estimated cost is included as Attachment #14.
- IV. Consultant Analysis of the feasibility of a County Self-Insurance Health Program. The Board directed staff to include in the scope of services for the health care consultant a review of the feasibility of the County establishing a self-insured health care program. Mercer will provide a consultant analysis of the feasibility of a county self-insured health program and staff will present the consultant report to the Board at the time a health care provider is recommended in July 2005.

In summary, the Health Care Consultant agreement and scope of services with Mercer Human Resource Consulting has been finalized. Mercer has reviewed the draft RFP and the final RFP will be released during the first week of May 2005. Proposal responses will be due within 30 days of the release date. Mercer will perform a thorough analysis of the responses and make a presentation and recommendation to the RFP Evaluation Committee. Staff is currently scheduled to present an agenda item to the Board in July 2005 with the recommended health care provider(s) for Leon County. At that time, staff will also present the Mercer report to the Board on the feasibility of a self-insured health program for Leon County. As directed by the Board, staff has submitted a funding request through the 2005/06 budget process for a Health Care Actuarial Analysis of CHP and Vista.

Options:

1. Accept Status Report on County Employee Health Insurance.
2. Do not accept Status Report on County Employee Health Insurance.
3. Board Direction.

Recommendation:

Option #1.

Attachments:

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1. March 22, 2005 Agenda Ratifying Board Action Taken at Workshop on County Employee Health Insurance
2. Mercer, Human Resources Consulting Agreement and Scope of Services
3. Request for Proposals for County Health Insurance
4. Letter of Engagement, Deliverables, and Timeline for Vendor Selection
5. Summary of Health Care Concerns for City/County and School Board.
6. Florida HMO Enrollment and Market Share Analysis by County
7. Like-Sized County HMO Comparisons by Population
8. Like-Sized County Comparisons by Enrollment
9. Total Florida Enrollment and Market Share for CHP, Vista and United Health Care
10. Map of Four Regions in the State of Florida
11. West Region Analysis of Enrollment and Market Share for CHP, Vista and United Health Care
12. Comparison of Plan Design and Premium Rates for Florida Counties
13. Comparison of Plan Design for the County, City and the School Board
14. Scope of Services for Actuarial Analysis of CHP and Vista

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